



Transmission Business Line (TBL)

Customer Comments and BPA Responses for FIRM REDIRECTS AND SHORT-TERM RESERVATION PROCESS

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A. Firm Redirects

1. Implementation Date

Comments:

- All systems should be in place by October 1 of this year to permit the scheduling of firm redirected transmission service by October 1, not just the submission of a request for firm redirected service by October 1. (PGP, PNGC)
- BPA will be in violation of the Settlement Agreement if systems are not in place to allow for the redirect reservation to be scheduled for October 1. (PGP)

Response:

The Settlement Agreement provides that no later than October 1, 2003, "TBL will have appropriate scheduling and reservation systems in place so that customers are able to redirect firm transmission service." Thus, under the settlement, TBL is not obligated to have a reservation system for firm redirects in place before October 1. The agreement does not provide for any action before October 1 except for testing. However, when PGP and PNGC communicated their interest in being able to schedule a firm redirect reservation for October 1, TBL reviewed and revised this summer's very tight systems development schedule to allow customers to request firm redirects beginning September 25 so that firm redirect reservations could begin October 1.

2. Applicability to Hourly Services

Comments:

TBL should consider expanding the applicability of the Firm Redirect policy to hourly services. (Powerex)

Response:

TBL is applying the Firm Redirect policy to FERC-required services only (monthly, weekly and daily) and, at this time, does not intend to expand the Firm Redirect policy to hourly services. Application to hourly firm service would increase the complexity of systems and would likely result in a substantial and potentially unmanageable increase in firm redirect requests.

3. Rates

Comments:

- The pricing proposal should be dropped -- apply the rates only to the original reservation. (PGP, PNGC, Powerex)

- The pricing proposal cannot be implemented without a §7(i) proceeding. (PGP, PNGC)
- The pricing proposal represents a change in the billing determinants for the PTP rate schedule, including the Short Distance Discount (SDD). An effective surcharge is imposed through the specification of billing determinants for the redirected service (for both the charge and the credit). FERC policy does not permit such surcharges. (PGP)
- Proposal is overly complicated. (Powerex)
- Transforms long-term service into short-term service, which FERC has rejected. (Powerex)

Response:

TBL disagrees that the rate section of the business practice represents a change in the PTP billing determinants. Firm redirect reservations are to be treated as new service. Section 22.2 of the OATT states: "Any request by a Transmission Customer to modify Receipt and Delivery Points on a firm basis shall be treated as a new request for service" While a Transmission Customer with a firm PTP reservation has the right to redirect its service to new reservations with different points on a daily basis, TBL does not believe they should be able to do so without paying the rate that would otherwise apply to the new reservation. TBL uses the billing determinants for this service. In addition, no 7(i) proceeding is required. The rates for short-term service are applied to the new short-term redirect reservation in the manner described in the rate schedules. The crediting against the long-term reservation insures that the customer does not pay twice for the Reserved Capacity.

TBL has also not changed the billing determinants for the SDD. The SDD is available only for long-term service and is based on the distance between specified PORs and PODs. The SDD (section IV.G. of the PTP rate schedule) states, ". . . the monthly capacity reservations for the relevant POR and POD shall be adjusted, for the purpose of computing the monthly bill for annual service . . ." and that "[s]uch adjusted monthly POR and POD reservations shall be used to compute the billing factors . . . to calculate the monthly bill . . ." The proposed business practice continues to apply the SDD of the original reservation to the extent that the SDD-specified PORs/PODs are not redirected to other points. In addition, the customer receives an SDD if the redirected service is long term and the path qualifies for an SDD.

Based on customer comments and internal analysis, TBL has decided to revise the "Short Term Redirected to Short Term" rates section of the business practice. Firm redirect reservation(s) will have no effect on the transmission charge when short-term service is redirected to other short-term service. It is unnecessary to apply the short-term daily block 1 rate to the firm redirect, because the daily block 1 rate is applied to the total Reserved Capacity of the original reservation for the first five days of the original reservation. Also, as Powerex points out, the implementation of the initially proposed approach would be very complex.

TBL has not changed the remaining business practice rate sections. For "Long-Term Redirected to Short-term," TBL will charge the short-term PTP service rate for the redirect reservation. TBL will credit the monthly charges for long-term service so that the customer does not pay twice for service. TBL does not believe that charging the

short-term reservation at the rates for short-term service constitutes a surcharge. Instead, it merely keeps TBL whole.

Finally, Powerex contends that application of the short-term rates to short-term redirect reservations "results in transforming long-term service into short-term service, which the FERC has rejected." Customers with long-term reservations who request short-term redirect service continue to receive benefits of the long-term service such as the reservation priority pursuant to section 2.2 of the OATT. TBL disagrees that the FERC precedent to which Powerex alludes applies in this situation.

4. General

Comments:

- TBL should ensure that all of its business practices are consistent in permitting redirected long-term service. (PGP, PNGC)
- TBL will need to update its policies by eliminating any balance of reservation limitation on all redirect requests as required by the FERC. (Powerex)
- The proposed business practice needs to be clarified in a few areas, to ensure that the intent is accurately captured. (PGP)

Response:

TBL will review its business practices and policies to ensure consistency with the Firm Redirects business practice. TBL does not have a balance of reservation limitation on redirect requests. TBL adopted several of PGP's proposed clarifications and also made other clarifications to the business practice.

B. Reservation Process

1. Bumping Market and Firm Redirect Implementation

Comments:

- Commitment to implement Firm Redirects should not be made at the expense of implementing the Bumping Market. (Powerex)
 - ◆ TBL's Bumping Market is innovative and could work well with suggested modifications to simplify process.
 - ◆ Bumping Market has "overwhelming support from essentially all of TBL's customers."
 - ◆ Foregoing the right of first refusal (ROFR) will result in TBL forfeiting significant revenues in periods of lower demand.
 - ◆ Proposed system modifications to simplify Bumping Market process.
- Supports proposal to eliminate bumping. (PNGC)
 - Elimination of bumping in conjunction with the implementation of firm redirects allows transmission system users to more fully utilize existing capacity and thus delay the need for costly transmission additions.
- If, due to resource limitations, TBL faces a choice of implementing the bumping market or implementing firm redirects, TBL should implement firm redirects and eliminate the bumping market. (PGP) .

- ♦ TR-04 Settlement Agreement
- ♦ Required by FERC.
- ♦ Bumping markets are optional under FERC policy, and can be replaced by BPA's system of fixed reservation windows, with the windows for longer service opening prior to the windows for shorter term service.
- ♦ Firm redirected service complements BPA's current offer of flexible products, which will help make more efficient use of the transmission system.
- ♦ Firm redirects will support the development of a secondary market in transmission rights, which will in turn help support the development of markets in ancillary services.

Response:

Subject to approval by the Federal Energy Regulatory Commission, TBL has decided to develop and implement a first-come, first-served short-term reservation system. The decision to eliminate the bumping market (preemption with the ROFR) was not made as a trade-off to enable TBL to develop systems for short-term firm redirects. The bumping market, with its 24-hour ROFR and conditional status timelines, requires more time to process requests than the first-come, first-served system. The multiple flowgates on the FCRTS also increase the processing time of requests, making it more likely a request will have to wait until an earlier queued request using, at least in part, the same flowgate, is confirmed or withdrawn. In addition, TBL would have to hold two paths open while a redirect reservation is in a conditional status. TBL made the decision to seek FERC approval of a first-come, first-served system because it better suits TBL's needs of efficiently processing a high volume of requests, many of which cross internal flowgates and/or are firm redirects.

TBL does not believe that adopting additional rules such as those proposed by Powerex would simplify the system. The complexities lie in the overlapping reservation windows and flexible products, which would have to be eliminated if TBL retained the bumping market. TBL believes that retention of liberal reservation windows and flexible products provides its customers superior service.

TBL has operated under both systems. We believe that the revenue loss, if any, will be minimal and will be outweighed by the shorter processing time and decreased complexity of the first come, first served reservation system. In addition, based on the customer meeting and the comments, TBL does not agree that the bumping market has overwhelming support by its customers.

2. First Come, First Served

Comments:

- Concern about electronic game-playing to be first in queue. (Morgan Stanley, Mirant)
 - ♦ "Competitive" electronic strategies do not represent a competitive market for transmission, but an exclusionary one that favors those market

participants less remote to the server processing transmission requests.
(Mirant)

- ♦ Would like to see a buffer for the reservation window to level the playing field (see Southern Company, PJM) (Morgan Stanley)
- Need further information to fully understand and support TBL's proposal; e.g., reservation windows. (Powerex)

Response:

The First Come, First Served system is a relatively straightforward approach with a minimum number of rules. The First Come, First Served system allows transmission capacity to be marketed quickly and efficiently, while providing longer-term requests priority over shorter-term requests. The race to be first in the queue is not created by the first come, first served approach; it is also present in a bumping market system (with or without parameters). Although the right of a longer-term request to preempt an earlier, shorter-term request may mitigate somewhat the queuing issue, TBL believes that the flexibility and certainty of the first-come, first-served approach results in superior service.

TBL reviewed and analyzed whether a "buffer," or allocation mechanism, like the one PJM employs would also work for Bonneville. A major difference between PJM and TBL is that PJM offers "fixed" products and does not allow reservation windows to overlap. When PJM adopted its allocation method, it modified its tariff to provide for fixed products: customers can purchase only one month or one week at a time, and reservations must begin on the first day of the month or week. TBL offers "extended" products and allows reservations for all products to be made up to the day before delivery. (See handouts from the May 20, 2003 customer meeting that show TBL's products and reservation windows.) The allocation method will work with TBL's flexible reservation windows and products. TBL's understanding is that customers would not be in favor of changing to the more restrictive products and reservation windows.

3. Partial Service

Comments:

- Supports proposal to grant partial service awards, both in quantity and duration given that TBL may not always be able to post accurate ATC's over the OASIS prior to the start of reservation windows. (Mirant)
 - ♦ Give the transmission purchaser an option to decline if the partial award is below a minimum quantity. (Mirant)
- Offer the highest capacities available for each time period -- if request is for 100 MW for 3 months but BPAT had 100, 75, and 50 MW respectively, then award 100, 75, 50 MW. (Morgan Stanley)

Response:

TBL currently grants partial service awards in both quantity and duration. The customer may decline any partial service offer. As to offering variable capacities in different months, TBL's policy is to offer only flat amounts of capacity.

4. Reservation Window Closing Time (Question Received at May 20, 2003 Customer Meeting)

Comments:

Can the reservation window closing time of 9 a.m. be changed to 10 a.m., given the decision to eliminate the bumping market?

Response:

TBL plans to continue the reservation window closing time of 9 a.m. in order to allow sufficient time to process the reservations and determine the availability of hourly transmission prior to the opening of the preschedule window at 10 a.m.